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Ontario Lottery and
Gaming Corporation



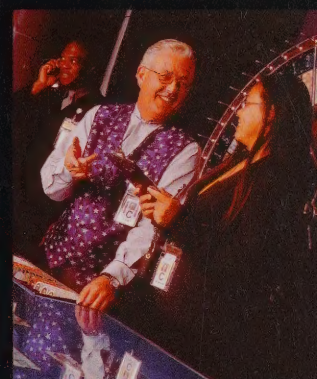
Société des loteries et
des jeux de l'Ontario



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Annual Report

2001 - 2002



Cover images represent OLGC's four business lines

From left:

- ♣ Slots at Racetracks ~ replenishing a machine at Slots at Flamboro Downs
- ♦ Lotteries ~ store owners meet with Retail Account Manager at their lottery counter in Niagara Falls
- ♠ Commercial Casinos ~ baccarat dealer at the table in Casino Niagara
- ♥ Charity and Aboriginal Casinos ~ welcoming Big Six players at Brantford Charity Casino

Contents

				
Letter of Transmittal	Message from the Chair and CEO	Overview	Jobs and Revenue	Charity and Aboriginal Casinos
				
Mission	Policy Objectives	Governance	Lotteries	Commercial Casinos
				
Core Values - OLGC's Organizational DNA	Integrity	Public Responsibility	Casino Windsor	Casino Niagara
				
Positive Work Environment	Customer Service Initiative	Respect, Openness, Judgment, Professionalism	Casino Rama	Management's Responsibility For Annual Reporting
				
Economic Partners - Joining Forces	Social Partners - Working with Communities	Auditors' Report	Consolidated Financial Statements	Notes To Consolidated Financial Statements
				
Management's Discussion And Analysis	Fees Paid To External Auditors	Salary Disclosure	Board Of Directors	Lotto Centre

Contents

2	Letter of Transmittal	37	Jobs and Revenue	  
5	Message from the Chair and CEO	37	Charity and Aboriginal Casinos	
8	Overview	41	Slots at Racetracks	
11	Mission	42	Lotteries	
11	Policy Objectives	44	Commercial Casinos	
11	Governance	44	Casino Windsor	
		47	Casino Niagara	
		48	Casino Rama	
13	Core Values – OLG’s Organizational DNA	49	Management’s Responsibility For Annual Reporting	
14	Integrity	49	Auditors’ Report	
14	Public Responsibility	50	Consolidated Financial Statements	
18	Positive Work Environment	54	Notes To Consolidated Financial Statements	
20	Customer Service	64	Management’s Discussion And Analysis	
24	Initiative	66	Fees Paid To External Auditors	
26	Respect, Openness, Judgment, Professionalism	67	Salary Disclosure	
29	Economic Partners – Joining Forces	68	Board Of Directors	
32	Social Partners – Working with Communities			



Letter of Transmittal



Ontario Lottery and
Gaming Corporation
Société des loteries et
des jeux de l'Ontario

September 2002

The Honourable David Young
Attorney General and
Minister Responsible for Native Affairs
11th floor, 720 Bay Street
Toronto, Ontario
M5G 2K1

Dear Minister Young,

On behalf of the Board of Directors, I have the honour to submit the
Annual Report of the Ontario Lottery and Gaming Corporation for the
fiscal year ended March 31, 2002.

Respectfully submitted,

Ron D. Barbaro
Chair
Board of Directors
Ontario Lottery and Gaming Corporation





Marianne Karibian, Janet Johnson & Rob Doherty prepare for the doors to open at Slots at Flamboro Downs



Hyong-Suh & Kyong-Hwa Park with Retail Account Manager Jim Rendall at their Niagara Falls convenience store

Message from the Chair and CEO

I am pleased to report a year of steady growth and accomplishment for the Ontario Lottery and Gaming Corporation (OLGC), as all four lines of business – charity and aboriginal casinos, slots at racetracks, lotteries and commercial casinos – delivered excellent results. I am also proud of the progress we have made in the area of responsible gaming.

Every year, the province allocates two per cent of the gross slot-machine revenue from charity casinos and slots-at-racetrack facilities to fund its comprehensive problem-gambling strategy, which includes research, treatment and prevention programs. This fiscal year, the allocation was approximately \$21 million.

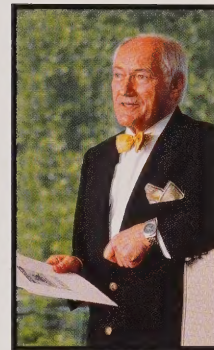
As a corporate leader in the gaming industry, OLGC is committed to its responsible-gaming goals and, this year, completed industry-wide research to identify emerging trends and best practices in this regard. We are committed to a proactive approach that will help set the standard for the gaming industry. Senior management is now designing a major new initiative that will include all employees – increasing their understanding of risk factors and raising awareness of existing treatment options.

The Lottery Division continues to be OLGC's most profitable business line. Our team keeps coming up with winning ideas. This year they increased the excitement with both the addition of new games and enhancements to classic favourites. Among those favourites, LOTTO 6/49 led the pack with sales of

more than \$610 million this year. The division is moving forward with plans to replace more than 7,800 lottery terminals that are currently in service and has undertaken a fresh redesign of all lottery displays and signage at local retailers.

From our Commercial Casino Division, I am particularly pleased to report that construction on the new Casino Niagara complex and hotel began this fiscal year. I invite all stakeholders to visit our web site (www.OLGC.ca) to take a virtual tour and view construction progress on this complex. Overlooking one of the world's natural wonders and integrating elements of its setting into its architecture, the spectacular new complex is guaranteed to become a magnet for visitors year-round – assuring Casino Niagara's continued standing as Canada's number one commercial tourist destination.

In 2001, officials cut the ribbon at Casino Rama's new entertainment centre, near Lake Couchiching. With this exciting addition, the Casino Rama gaming complex has significantly expanded its capacity to attract visitors year-round. The 5,000-seat entertainment centre boasts a state-of-the-art sound system and the ability to modify its space to accommodate different acts – from off-Broadway theatre to live concerts – as well as trade and consumer shows. Meanwhile, construction of the resort hotel progressed. With its opening in June 2002, this hotel and entertainment complex will further consolidate Casino Rama's



Ron D. Barbaro

Chair and CEO, OLGC

Message from the Chair and CEO

OLGC Board of Directors

from left:

Nicholas Perpick,

Ravi Shukla,

Gerald Huck,

Bruce H. Reid,

Joanne DeLaurentiis,

Gary Reinblatt,

Richard A. Raymond,

Cheryl Byrne,

Hugh Nichol,

Ron D. Barbaro,

Peter J. Labbett and

Louis Elio Panontin



position as a key economic engine for the Orillia area.

OLGC's slots-at-racetrack initiative, introduced only 40 months ago in response to requests from the Ontario horse-racing industry, has proved a highly profitable line of business at OLGC. Since our first venue at Windsor Raceway opened in December 1998, more than 34 million people have visited our slots-at-racetrack facilities. The addition of three new slots operations this year brings the total number of facilities to fifteen. Each operation, without exception, has exceeded our most optimistic predictions of economic success. Slots at Dresden Raceway, located in the Municipality of Chatham-Kent, opened in April 2001 and averages more than 550 patrons daily. Since opening in June 2001, the

Slots at Woodstock Raceway has attracted approximately 800 daily visitors. And, more than 367,000 patrons have visited Slots at Georgian Downs since its debut on November 27, 2001.

As construction continued on our fifth charity casino, OLGC hosted a job fair in Gananoque in February 2002. The Thousand Islands Charity Casino will create almost 500 direct jobs – providing economic spin-offs to the region and fueling the local economy. Each charity casino represents a capital investment that increases the municipal tax base and this \$54-million charity-casino project is located on a parcel of land that straddles both the township of Leeds and Thousand Islands and the town of Gananoque.

Together, charity casinos and slots at racetracks

have created almost 6,000 permanent jobs in Ontario and a total annual payroll that exceeds \$210 million. Host communities have received approximately \$122.6 million in non-tax revenue as their share of gross slot-machine income since these programs were launched. In addition to revitalizing the horse-racing industry of Ontario, which employs 45,000 people, the slots-at-racetrack operations continue to have an economic multiplier effect in their host communities.

OLGC has concluded one of the most challenging years in its 26-year history. Having witnessed the tragic terrorist attacks against our US neighbour and friend on September 11, 2001, OLGC staff rallied in the spirit of true compassion to help in all ways possible. Of course, attendance at border gaming facilities was affected and, with 80 per cent of its clientele from the US, Casino Windsor suffered a particularly dramatic drop in attendance, which forced layoffs. But even while staff faced their own uncertain future, they donated money, time, energy and blood to support relief efforts. They made us proud. And, with hard work and creative initiatives, Casino Windsor management has been rebuilding its customer base and began re-hiring over the last several months.

This fiscal year, over 40 million patrons visited our 23 gaming sites, generating more than \$3.3 billion in gross gaming revenue. Ontario's three commercial casinos alone generated \$1.7 billion, while – with the

help of an exceptionally mild winter – our charity casinos, slots-at-racetrack facilities and commercial casinos have been able to set new attendance records. The Lottery Division generated more than \$2 billion in revenues and more than \$1 billion in prizes – awarding more than 144 million lottery prizes to Ontarians.

The strength of our Corporation flows from the people who work at locations across the province. And this year, we launched new, on-going training and leadership programs in all four lines of business. This investment in our own people will produce dividends for all our stakeholders as OLGC strives to fulfill its mission – providing gaming entertainment in an efficient and socially responsible manner.

I take this opportunity to thank our Board of Directors for their support and leadership through a challenging yet rewarding year and our executives and their staff whose contributions enable OLGC to achieve its goals. We are a young corporation in an evolving industry, and it is our staff's creativity and dedication that make OLGC a successful corporation and lay the ground for our future.



Ron D. Barbaro
Chair and CEO
OLGC

Overview

OLGC Executive Team

from left:

Paul Micucci, VP, Racetrack

Development & Operations;

Brian Wood, COO;

Walter Fioravanti, VP,

Human Resources;

Alan Berdowski, Senior VP,

Lottery Division;

Bob Kozniuk, VP, Charity

& Aboriginal Casinos;

Ingrid Peters, VP, Legal

& Compliance;

Larry Flynn, Senior VP,

Marketing & Customer

Development;

Earl (Tom) Dalton, CFO

& Senior VP, Finance

& Administration;

Ron D. Barbaro,

Chair & CEO; and

Michael Nieder, VP,

Information Technology



OLGC is an operational enterprise created by the Government of Ontario to provide gaming entertainment that maximizes economic benefits for the people of Ontario in an efficient and socially responsible way. Host municipalities as well as many other groups benefit directly from gaming revenues.

OLGC is now responsible for 23 gaming sites, as well as the sale of lottery products at more than 10,000 retail locations. The Corporation employs more than 6,900 people across Ontario. The

Ontario Lottery and Gaming Corporation Act, 1999 requires that net revenue from lotteries, charity casinos and slots at racetracks be made available for various purposes including the provision of health care and the promotion and development of physical fitness, sports, recreation and cultural activities throughout the province. These revenues also enable the Ontario Trillium Foundation to distribute \$100 million to charitable and non-profit organizations every year.



Martin Smith operates the sound-mixing console at Casino Rama's new entertainment centre



Tim Yahya, Stacey Mitsilios, Clavel Dayot & Antonio Carvalho – the Lottery Division's New Business Development team

Mission

To provide a top-quality, unique and entertaining gaming experience to patrons, in a socially responsible manner and secure environment, so as to create jobs, enhance economic development, promote tourism and generate revenue for the people of Ontario.

Policy Objectives

- ♠ to provide high-quality entertainment in a socially responsible manner with a high level of integrity
- ♠ to provide revenues for prevention and public-education programs concerning problem gambling
- ♠ to ensure a secure and tightly controlled gaming environment
- ♠ to act as a catalyst for community economic development
- ♠ to create jobs
- ♠ to support the tourism and hospitality industries
- ♠ to provide for the continued viability of the horse-racing industry
- ♠ to generate revenue for charities and priority provincial programs

Governance

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation has a single shareholder, the Government of Ontario, and reports to the Minister responsible for OLGC through its Board of Directors. Board members, from a variety of backgrounds and communities across the Province of Ontario, are appointed by Order-in-Council. The Lieutenant Governor in Council may designate a chair and vice-chair of the Board from among the members of the Board.

Board Mandate

The Board sets policy for the Corporation and counsels the Chief Executive Officer and senior executives, who oversee the Corporation's business operations. The Board directs management, with a view to optimizing the Corporation's overall performance and increasing shareholder value, through the execution of its various responsibilities:

- ♣ to establish a well defined strategic-planning process, setting direction and approving the long-term Business Plan
- ♣ to define and assess business risks through appropriate risk performance criteria

- ♣ to appraise the performance of the Chief Executive Officer
- ♣ to approve the annual business plan as well as operating and capital budgets
- ♣ to oversee a code of conduct that ensures the highest standards are enforced in dealing with customers, suppliers and staff and that due regard is given to ethical values and the interests of the community-at-large in all corporate endeavours
- ♣ to track overall performance of the Corporation
- ♣ to remain informed and provide input as required concerning communications with the Government of Ontario and other stakeholders
- ♣ to review the effectiveness of internal controls in managing risks
- ♣ to ensure compliance with key policies, laws and regulations

Board Committees

The Board of the Ontario Lottery and Gaming Corporation operates with and through three permanent working committees:

Governance Committee

The Governance Committee assists the Board in developing and monitoring governance policies and practices. This committee helps identify policy areas

for review and presents recommendations to the Board for consideration in order that the Board may ensure the Corporation's adherence to the highest standards in corporate governance.

Audit and Risk Management Committee

The primary function of the Audit and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, internal financial controls, capital expenditure program and risk management program as well as legal and ethical compliance systems that have been established.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee assists in ensuring that the Corporation has sufficient organizational strength at the senior management level to achieve its short and long-term goals. This committee also recommends, for Board approval, the compensation and benefit plans for senior management.

Core Values – OLG's Organizational DNA



Front-desk staff deliver red-carpet treatment at Casino Windsor's award-winning, four-diamond Hotel

Values define an organization and OLG has created a culture that rewards individuals who lead by example. In all sectors, the Corporation's staff and associates are encouraged to realize a clearly identified set of core values:

♥ **Integrity:** conduct our business in an ethical, fair and honest manner

♥ **Public Responsibility:** deliver gaming entertainment to maximize economic benefits in a socially responsible manner

♥ **Positive Work Environment:** foster a dynamic, flexible work environment, enabling all employees to develop and to make a full contribution

♥ **Customer Service Excellence:** focus on our customers, providing value, fun and entertainment

♥ **Initiative:** innovate and champion disciplined, continuous improvement

♥ **Respect:** treat each other, our customers and our stakeholders with respect and dignity, recognizing the contributions of each person

♥ **Openness:** actively share ideas and information, limited only by appropriate confidentiality

♥ **Judgment and Professionalism:** ensure that all decisions and actions are timely, informed and aligned with corporate objectives



Steve Ward spins
roulette excitement
at Casino Niagara

Integrity –

Core Value as Prime Asset

Integrity demands our business be conducted in an ethical, fair and honest manner. OLGC pledges the highest standards of corporate conduct. Gaming-site suppliers must be registered with the Alcohol and Gaming Commission of Ontario (AGCO), which shares security information with US and international gaming jurisdictions, while full background checks on key casino employees ensure exacting standards of honesty and integrity.

OLGC adheres to the *Gaming Control Act, 1992*, which sets regulations for advertising, is regulated by the AGCO and operates in full compliance with the Criminal Code of Canada. At the same time, Ontario's Illegal Gaming Enforcement Unit supervises gaming-related offences, with a particularly keen eye on minors. Age access restrictions are strictly enforced at all casinos and slots-at-racetrack facilities. The sale of lottery tickets to minors is also an offence in Ontario and retailers who sell lottery tickets to anyone under 18 years of age face fines up to \$250,000 and risk having their privilege to sell OLGC products rescinded. Also, on behalf of the province's Family Responsibility Office, OLGC deducts delinquent family support payments from lottery prizes of \$1,000 or more.

The Lottery Division enforces strict game rules,

limits the amount of sports wagering accepted at retail outlets and reviews all insider wins. All draws for winners are conducted under the strictest security measures. OLGC's gaming system functions independently from the draw procedures. Draw machines ensure randomness in the selection of winning numbers.

Public Responsibility –

Strategies for Responsible Gaming

For a small minority of patrons, a trip to the casino, the racetrack or even buying lottery tickets, is more than just entertainment. Almost four per cent of Ontario's adult population report a problem with gambling.

The Ontario Government allocates two per cent of the annual gross revenue from slot machines at charity casinos and slots at racetracks, to address the issue of problem gambling. The Ministry of Health and Long-Term Care oversees these funds, which are allocated for research, treatment, prevention and public awareness. The amount for fiscal 2001/2002 was approximately \$21 million. The Ontario Government allocates more money to this important social cause than any other jurisdiction in North America.

OLGC also displays the Ontario Problem Gambling Help Line telephone number on all slot machines and responsible-gaming messages are part



Renee Parco provides orientation for new cashiers at Casino Windsor's training centre



Marcel Vottero oversees security on the gaming floor for Slots at Georgian Downs

of all product advertising and marketing materials. This applies to all four lines of business. For casinos and slots facilities, this tag line is: "Go For Fun, Not For Broke. Play Responsibly." For the lottery: "It's Just A Game. Play Responsibly." Each gaming site offers a self-exclusion program, which allows players to voluntarily exclude themselves from all gaming sites for an indefinite period.

As a member of the Ontario Problem Gambling Public Awareness Committee led by the Responsible Gambling Council (Ontario), OLGC participates in the development of a province-wide campaign to raise public awareness. This year, OLGC furthered its commitment to social responsibility by conducting research within selected Canadian and international jurisdictions to identify current policies, emerging trends and best practices with regard to problem gambling.

The overall corporate strategy to implement new responsible-gaming practices depends on two key components – understanding the risk factors and raising awareness of existing treatment options. Senior management has consulted with leading Ontario experts in the field of responsible gaming to design a broad-based integrated corporate strategy that draws on OLGC employees and managers to play an active role. In this way, OLGC staff will derive a clear sense of direction and the satisfaction of knowing they play an important part in



Posters promoting awareness of problem gambling are displayed at all OLGC gaming facilities

preventing problem gambling. By taking a proactive approach, we position ourselves to remain a corporate citizen of the highest standards.

The Corporation's new responsible-gaming policy will ensure that responsible gaming remains a top priority. The significance of this emphasis is reflected in a decision to link personal bonuses for senior executives to the realization of OLGC's responsible-gaming goals as well as its financial ones.

Charissma Maestrado-Alcantara, Melissa Maschio, Dave Ellis & Beth Perry are part of the Slots at Mohawk Racetrack team – striving to provide unforgettable service



OLGC's responsible-gaming policy emphasizes a commitment to promote responsible-gaming practices to its staff, its customers, the communities within which it operates and the citizens of Ontario. With this enhancement of our responsible-gaming policies and practices, OLGC will be actively working to:

- ◆ reduce the risk of problem gambling by encouraging healthy, balanced and recreational play;
- ◆ train staff to identify customers at risk of developing problems and to assist them in returning to responsible play; and
- ◆ direct those with a gambling problem to the help they need.

Positive Work Environment – Building from Within

At OLGC, the sum is greater than its parts. An atmosphere in which both teamwork and individual effort thrive has been created through the core values of respect and openness. The resulting mutual support and individual excellence enable OLGC to lead in the international gaming industry. Professional development is encouraged and individual achievements rewarded because it is OLGC's people who fulfill its corporate mandate and serve its stakeholders – the people of Ontario.

OLGC provides for continuing professional development of its staff through various programs and facilities. This year, Casino Windsor opened an on-site resource library for its staff, offering gaming industry news and publications on personal excellence, as well as business and management texts. Changing economic times present continuing competitive challenges. The ability to embrace change is a prerequisite skill for today's corporate leaders and OLGC and its casino partners are positioning themselves to lead the way by investing in their most valuable resource – their people.

Executives and staff across the province, in all four lines of business – charity and aboriginal casinos, slots at racetracks, lotteries and commercial casinos – are active participants in new programs designed to



support continuing improvement in job performance and satisfaction. Following are just three examples.

Lead 2 Succeed

This year, OLGC launched “Lead 2 Succeed,” a business-driven leadership program. A six-month program organized in six phases, “Lead 2 Succeed” was offered to managers eight times during the year. The program offers a comprehensive strategy for encouraging OLGC management to perform at the highest level and to develop their leadership potential. By investing in ongoing learning and skill development for its managers, OLGC ensures continued operational excellence and dynamic and creative growth.

Graduates of the “Lead 2 Succeed” program are empowered to fulfill OLGC’s mission and strategic goals, thereby increasing the value of OLGC in the communities it serves. Improving the way the Corporation works enhances business results. At the same time, the Corporation is creating a workforce equipped with new knowledge, skills and techniques for managing business and leading others. The commitment to leadership renews and invigorates creativity and innovation within the organization.

OLGC leaders are defined by their ability to work effectively with others, delivering superior outcomes and inspiring colleagues and staff to realize their potential.



A Whole Lot of Winning Going On

Fostering a positive work environment is a core value that extends beyond the corporate walls of OLGC headquarters and its locations throughout Ontario. The Corporation introduced a series of events designed to recognize the special contribution of its lottery retail partners, who represent the vital link to our customers. Weekly retailer-celebration events, under the umbrella of “There’s A Whole Lot of Winning Going On!” recognized almost 400 individual retailers for their exceptional work this year.





It's All Up To Me

First Nations Awareness Training

At Casino Rama, management has launched five special training sessions for its staff to reflect the host community's unique sensibilities. First Nation Awareness Training for Supervisors and Managers is compulsory, but this year, an initiative proposed by casino staff led to a series of new optional courses available to all employees – "Traditional Spirituality," "Pow-wows," "Past, Present and Future," "The History of Mnjikaning" and a "Dreamcatcher Workshop."

The First Nation Awareness Training began this year as a pilot project for Casino Rama's supervisors and managers. The curriculum – written and delivered by the Director of Corporate Affairs and Public Relations, the Director of First Nation Affairs and the Administrator of First Nation Affairs – was highly successful and has now been expanded to five courses.

Customer Service –

A Core Value in Action

OLGC's commitment to fostering creativity and innovation through leadership has already begun to pay dividends. This year, initiatives were geared toward training for and recognition of customer-service excellence.

It's All Up To Me!

OLGC's Education and Development Department devised and piloted a dynamic new customer-service excellence program at the Brantford Charity Casino and Slots at Fort Erie Race Track. Customer Service Champions were chosen from the staff at each location and became responsible for organizing and running the "It's All Up To Me" program at that venue. They educate, inform and motivate employees to achieve customer-service excellence. They promote customer-service goals through orientation sessions for new employees, pre-shift meetings, team meetings, newsletters, flyers and customer-service notice boards.

The "It's All Up To Me" program outlines six ways for employees to achieve our customer-service goals:

- Show professionalism under pressure
- Know your products
- Play for the team
- Resolve complaints quickly
- Anticipate customer needs
- Allow your energy and enthusiasm to be contagious

The slogan "It's All Up To Me" signals to employees that they have the power to make a difference in customer service. The program builds a framework that reinforces shared values and team behaviour while reflecting several of our core values: respect for



Jen Lisi & Tammy Carachi sign-up and serve Winner's Circle club members at Slots at Mohawk Racetrack



Jackie Johnson & Michael McCrea field enquiries at the Contact Centre in the Sault Ste. Marie Corporate Office



Recipients of Individual Excellence Awards at the Lottery Division Contact Centre, from left:
Sharon Martens, Sandra Pierce, Margaret Lajoie (seated), Charlene Denning, Michael McCrea, Diane Motuzas, Joanne Mitchell, Linda Avery, Louis Caruso and Wendy Pozzebon (absent: Leslie Peterson, Julia Ciccone, Jennifer Stewart)

the customer and each other, openness in sharing ideas and, of course, customer-service excellence. The "It's All Up To Me" program will be rolled out to additional charity casinos and slots-at-racetrack sites during the coming year.

Individual Excellence Awards

At the beginning of this fiscal year, OLGC's Lottery Division Contact Centre launched the Individual

Excellence Awards program – a peer-review program to recognize excellence in those who deliver exceptional customer service. Every month, employees of the Contact Centre nominate co-workers who have provided exceptional service.

This year, we celebrated 13 Individual Excellence Awards, with winners ranging from new employees to supervisors. This program delivers recognition and respect – creating a customer-focused employee team and a positive, fun working environment.



Above, left: JUNO Award-winning country band, Farmer's Daughter performs as part of the Slots at Fort Erie Race Track's Summer Concert Series



Right: Down to the wire at the grand finale of the Slot Survivor Tournament II, Slots at Fort Erie Race Track

The motivational program reflects the vital importance OLGC places on the core value of respect – treating colleagues, customers and stakeholders with dignity and recognizing all team members' contributions.

Initiative –

Championing Innovation, Discipline and Continuous Improvement

OLGC launched several innovative programs during fiscal 2002 to expand and build on its ability to attract tourists, compete in an international gaming environment and generate revenue for the people of Ontario.

The Charity Casino Division implemented initiatives to maximize entertainment value in all venues. Gaming entertainment promotions now include

various weekday promotions including Fun-Day Mondays, Winning Wednesdays, Fabulous Fridays and Sensational Saturdays. At Casino Sault Ste. Marie, “Bands on the Boulevard” and various weekend entertainment acts have proven popular with our guests. A buffet has been added to Galileo's Ristorante at the Brantford location. Food and beverage enhancements include a transition from self-serve cafeteria style to full-service operations at all charity-casino sites.

The 2001 “Stars at the Track” summer concert series played to capacity crowds at slots-at-racetrack facilities across the province. Fans turned out by the thousands to take in 97 concerts featuring 19 bands. Spanning more than four decades of music – from post-war swing and classic rock to today's new country – this innovative marketing program succeeded in

raising the profile of the relatively new slots-at-race-track initiative.

Patrons at 14 slots-at-racetrack sites participated this year in the second edition of the Slot Survivor Tournament. Twenty-four qualifiers and their guests were treated to a first-class weekend trip including luxury accommodations and dining. A breathtaking train ride began the adventure, as the Slot Survivor Express carried "survivors" from Toronto to Niagara Falls. Participants then traveled by limousine to Fort Erie, where the weekend culminated in a grand finale at Slots at Fort Erie Race Track with the presentation of a third prize of \$10,000, a second prize of \$25,000 and the grand prize of \$100,000.

The Lottery Division launched several exciting initiatives this year to better serve its customers and private-sector partners in retail. In 2001, important steps were taken to replace the existing lottery terminals with state-of-the-art models. OLGC currently has a network of approximately 7,800 on-line lottery terminals in Ontario. Going forward, OLGC plans to invest \$80 million in new lottery-terminal technology to enable retailers to better serve their customers. This year, Scientific Games International (SGI), a Scientific Games Corporation subsidiary, was selected as the preferred supplier for the next generation of on-line lottery terminals and terminal software. SGI plans to launch the EXTREMA-M with OLGC, making this the North American premiere



Lottery retailer, Ming Li is congratulated by Retail Account Manager, Jan Howard; Sales Representative, Paul Gadd; and District Sales Manager, Peter Suddard during an in-store retailer celebration at Ritson Jug City, Oshawa

for its newest terminal. This state-of-the-art modular terminal features industry-standard architecture, a full-colour, touch-screen retailer interface, quiet high-resolution thermal printing and high-quality colour message-display capability.

As part of OLGC's internet initiative to deliver the highest level of customer service to both consumers and retailers, OLGC plans to launch a private retailer web site. The site will provide OLGC with increased communication opportunities and demonstrates OLGC's continued commitment to its retailers.

Earlier this year, OLGC tested the concept of a retailer extranet site in conjunction with "Break the Bank" – an incentive program for on-line retailers. The program, which ran from December 31, 2001 to March 31, 2002, gave on-line retailers access to a promotional web site, which provided up-to-date



*Kathy Pittman and
Silvana Mizzi get ready
for another big winner
at the Lottery Prize
Office in Toronto*

information on their own sales statistics as well as rankings of the top ten retailers in the "Break the Bank" contest. OLGC retailer-support staff could track sales for their particular retailers. For both retailers and staff, access to the site and to account-specific information was controlled through personal identification numbers and passwords. During the promotional period, approximately 8,000 users (including retailers and staff) had access to this site.

Capitalizing on the internet as a powerful marketing tool, the Lottery Division has created a new partnership with an on-line grocery retailer that serves the Greater Toronto area. Grocery Gateway now offers lottery products to its customers, enhancing OLGC distribution channels and demonstrating our ongoing commitment to customer-service excellence. This company's ability to address OLGC's concern that lottery products not be sold to minors was clear. Requests for lottery-ticket purchase prompt the site to automatically display rules and regulations and inform customers that they may be asked to produce photo identification to verify their age. Furthermore, the training program for Grocery Gateway drivers incorporates education regarding minors legislation. Drivers are informed that, like traditional retailers, they face stiff fines for selling lottery products to underage players.

Respect, Openness, Judgment, Professionalism –

The Immeasurable Made Integral

While the direct impact of some values is difficult to measure, they have nonetheless proved central to OLGC's success. In an industry based on customer enjoyment and satisfaction, an atmosphere of respect is essential. For a crown corporation, openness is the basis for a public trust. And in a business that is strictly regulated, the judgment and professionalism of all staff and associates is key to the fulfillment of our public responsibility.

OLGC directors and management recognize that for these key values to be adequately represented in our contacts with the public, they must be integral to our entire operation. We strive to create a corporate culture that supports the safety and enjoyment of our customers and the people of Ontario. We review staff and management performance regularly and develop training programs that give our staff and associates the knowledge and understanding that is the basis for their good judgment and professionalism. We support the continued exchange of ideas and information between various departments as well as with the public and key stakeholders, in order to respond to change and to ensure continued best practices based on current information. Solid examples of the realization of these values in all sectors of the Corporation are found throughout this report.



Paul Blanchette, Mary Sprajc & Vanaja Kattail - part of the winning team at the Lottery Prize Office in Toronto



Lynn Wamsley replenishes a machine at Slots at Flamboro Downs

Economic Partners – Joining Forces

OLGC enjoys a vital and robust economic partnership with the people of Ontario. The gaming industry in Ontario is a multi-billion-dollar responsibility. The three commercial casinos alone have created 27,000 new direct and indirect jobs at their host sites in Windsor, Niagara and Rama (near Orillia), with a combined annual payroll of almost half a billion dollars and generating \$2.4 billion in economic activity. This fiscal year, over 40 million patrons visited Ontario's 23 gaming sites, resulting in more than \$3.3 billion in gross gaming revenue and contributing to the diversification and growth of the province's tourism industry.

OLGC contributes directly to the host communities of its charity and aboriginal casinos and its slots-at-racetrack facilities. Municipalities that host charity and aboriginal casinos receive five per cent of the gross slot revenue, while host municipalities of slots at racetracks receive five per cent of the gross slot revenue for the first 450 slot machines, plus two per cent from machines over that number. To date, OLGC has distributed more than \$122.6 million to 19 host communities of charity casinos and slots at racetracks.

During fiscal 2001/2002, OLGC reported to the Ministry of Tourism, Culture and Recreation – underscoring the vital role the gaming industry plays in the tourism segment of the provincial economy and in the popular culture of Ontario. Host communities of all OLGC gaming sites, including the three

commercial casinos, attract hundreds of thousands of visitors and encourage them to visit other area attractions, restaurants and hotels – creating multiple economic benefits to the entire province.

Slots at Racetracks

To date, the slots-at-racetrack initiative has created more than 3,200 direct jobs in Ontario, adding an annual payroll of over \$114 million to the provincial economy. Moreover, the injection of non-tax revenue into host communities means further benefits for local economies, providing cash for a variety of community-based projects and local infrastructure development. For example, Slots at Kawartha Downs has injected \$6.4 million into the Cavan-Millbrook-North Monaghan Township since November 1999, boosting community revenues almost 40 per cent. This new money has funded medical bursaries to attract doctors. Meanwhile, the new Peterborough Regional Health Centre is receiving an infusion of half a million dollars over five years. Another \$100,000 annually is awarded through community grants, and approximately \$1.2 million is earmarked for local road construction.

In addition, the Ontario horse-racing industry, which employs 45,000 people, has enjoyed a renaissance since the introduction of the slots-at-racetrack program. The Ontario Horse Racing Industry



*The permanent Casino
Niagara complex, now
under construction will
open in Spring 2004*



Association estimates that more than 7,000 new jobs have been created in the agricultural sector as a result of this province-wide initiative. Since the launch of the program in 1998, more than half a billion dollars, representing 20 per cent of gross slot revenue, has been delivered directly to horse racing in Ontario. Distributed equally to track owners and their horse people, this cash infusion has proven a tremendous catalyst for the province's third largest agricultural industry. Between 2000 and 2001, purses increased by an average of 17 per cent at racetracks with slot facilities.

The revitalized horse-racing industry is improving racing and leading to superior quality horses. It has also stimulated local economies both through the

purchase of millions of dollars in local goods and services and by attracting growing numbers of visitors to their communities.

Casinos

OLGC's strong working relationship with the Mnjikaning First Nation and Penn National Gaming Inc., the operator of Casino Rama, has allowed us to build on this casino's success – developing it into a year-round casino resort. Meanwhile, Casino Windsor remains one of that city's biggest employers, circulating an annual payroll of \$185.6 million back into the economy. And Casino Niagara continues to be the most popular

commercial tourist attraction in Canada. The cities of Niagara Falls and Windsor are each receiving \$2.6 million annually during the first decade of the commercial casinos' operation and these payments will increase to \$3 million a year during the second decade. Clearly, OLGC's partnership with commercial-casino host communities is a win-win situation for all stakeholders.

Charity casinos create approximately 450 direct jobs in each host community as well as an estimated 1,000 indirect jobs. Spin-offs from multi-million-dollar annual payrolls and the increase in local tourism have energized the local economies beyond all initial expectations. As one example, the soon-to-open \$54-million Thousand Islands Charity Casino, has already generated more than \$14.5 million in construction services through 80 local firms.

The Great Blue Heron Charity Casino is an aboriginal casino that operates under the authority of a charitable-gaming agreement between the Province and the Baagwating Community Association. The casino is located on the territory of the Mississaugas of Scugog Island First Nation. OLGC owns and maintains authority of the slots facility located in the casino. The Great Blue Heron Gaming Company – a joint venture of Casinos Austria, Fantasy Gaming and Sonco Gaming – carries out the day-to-day operation of the casino. As host community of the slots facility, the Mississaugas receive five per cent of



*The new lottery kiosk
at Casino Windsor*

gross revenue from the slot machines, which they share with neighbouring municipalities.

Lotteries

The OLGC Lottery Division works with more than 10,000 individual retailers across Ontario, who received \$151.6 million in sales and redemption commissions this fiscal year. Under the umbrella of this important business unit, SUPERSTAR BINGO in particular represents a unique partnership of the private, government and charitable sectors of Ontario. Bingo hall operators, the Ontario Charitable Gaming Association and OLGC work together to provide benefits for all stakeholders.

Social Partners – Working with Communities



While OLGC is entrusted with the delivery of responsible gaming entertainment, the Government of Ontario decides how the proceeds, which are distributed through the Consolidated Revenue Fund, can best be used to benefit the people of Ontario. The *Ontario Lottery and Gaming Corporation Act*, 1999 requires that revenue be made available for various purposes including health care, sports, recreation and cultural activities throughout the province. As part of this, OLGC gaming revenue now contributes \$100 million annually to the Ontario Trillium Foundation, which distributes funds to charities in Ontario. The Ontario Trillium Foundation, with its tenfold budget increase since 1999, has become Canada's largest grant-making foundation – supporting arts, culture, recreation, sports, the environment and social services, all of which are essential to vibrant and healthy communities. In addition, OLGC and its casino partners take pride in their own direct support of the arts, culture and heritage of host communities.

Commercial Casinos

Last fall, Casino Windsor unveiled a dramatic new monument to commemorate the Underground Railroad in Canada. The seven-metre bronze Tower of Freedom stands on the waterfront near the site where refugee slaves crossed the border from the United States to establish the first Black community in Windsor.

Casino Windsor currently contributes to more than 400 charities through its "Casino Windsor Cares" program. The program supports dozens of events ranging from fundraising dinners and walk-a-thons to festivals, heritage and cultural events, as well as the holiday tradition of contributing to food banks in Windsor and Essex County each December. Casino associates also participated in Windsor's "Jail or Bail" event. Both Dr. Dave Paterson, the casino's medical consultant, and Ferio Pugliese, Director of Human Resources, gamely submitted to "arrest" and then "raised bail" for Windsor's Crime Stoppers, replenishing coffers from which rewards are offered. Dr. Paterson topped all participating "criminals" – raising bail of more than \$4,000. Further, as downtown Windsor undergoes a multi-million-dollar commercial renaissance, the local investment community credits the casino as a key catalyst for this revitalization. Since 1995, Casino Windsor has contributed more



Casino Niagara's Susan Smith puts it all together in the direct-mail office



Lisa Edgar-Menzies, Karen Droegekopp & Perry Steiner review promotions results at Great Blue Heron Charity Casino

than \$100 million to new development, including the Art Gallery of Windsor, local hotels and parks.

Since its 1996 opening, Casino Rama has sponsored hundreds of local events, including pow-wows and wellness conferences. Its donations now total \$3.7 million. The most recent beneficiary was the Soldier's Memorial Hospital's expansion and renovation campaign. "My Hospital ... Our Future" will receive \$1 million over the next five years – the largest donation so far. When the renovation is complete, Casino Rama's name will have a prominent place in the building – a testament to a 5,000-year Mnjikaning tradition of healing and caring.

The Casino Rama Community Wellness program supports more than 150 local community groups as well as the new Awards for Excellence program, which provides scholarships to aboriginal post-secondary students. Ontario aboriginal students in college or university receive assistance with tuition, textbooks or living expenses during the academic year. Twelve students who qualify were awarded \$1,000 each. Casino Rama, through this awards program, seeks to encourage and motivate aboriginal men and women to continue their post-secondary education.

Casino Niagara enjoys a solid corporate culture of giving, caring and community building. The casino's support for various organizations through its Casino Niagara Cares program is strengthened by the

personal participation of staff and management. Such community-based partnerships are numerous, but we offer three examples.

This year, the Cares program provided a \$20,000 sponsorship to the Canadian Cancer Society's "Relay For Life" while more than 110 Casino Niagara associates participated in the race, raising an additional \$25,000. Casino Niagara Cares also provided a \$5,000 sponsorship of Heart Niagara's Dragon Boat Festival, and over 225 staff took to the boats for an event that raised \$20,000. As part of their internal United Way campaign, senior management donated big-ticket auction items – tickets to a Maple Leafs game, an "adventure plane ride" and a day at the spa – for an auction fundraiser. Meanwhile casino staff smashed their own pledge target, raising \$90,000, and Casino Niagara Cares contributed an additional \$100,000 to this year's campaign.

OLGC Community Sponsorships

OLGC sponsored 117 community events in Ontario in 2001/2002, including monetary and in-kind sponsorships.

In celebration of the local agricultural community, OLGC and Slots at Rideau Carleton Raceway were Gold sponsors of the "International Plowing Match and Farm Machinery Show" in Navan, Ontario, which was attended by 120,000 people. Known as



Point Edward Charity

Casino employees participate
in the Big Bike Ride to raise
money for the Heart and
Stroke Foundation

Jobs and Revenue

This fiscal year presented both challenges and growth opportunities for all four lines of business at OLGC. Mild weather contributed to record-breaking winter attendance numbers at gaming sites across the province, reversing the earlier industry-wide slowdown in tourism, which had followed the tragic events of September 11, 2001. OLGC's creative marketing and communication teams also worked to win back American clientele and they have been rewarded with renewed customer loyalty, as reflected in the Corporation's improved performance in the early months of 2002.

In 2001/2002, OLGC's Lottery Division awarded more than \$1 billion in prizes and generated \$2.1 billion in sales. Our network of more than 10,000 lottery retailers earned \$151.6 million in commissions (7.2 per cent of total sales). OLGC's Lottery Division employs approximately 360 staff with an annual payroll including benefits of \$18.7 million.

Our gaming operations generated more than \$3.3 billion in gross revenues this year. Both community and provincial economies have benefitted from direct and indirect jobs that have been created by the gaming industry in Ontario.

At year end, the slots-at-racetracks facilities in Ontario had approximately 3,300 employees and an annual payroll of over \$114 million. Charity casinos in four Ontario communities account for 2,580 direct jobs with a total payroll of approximately \$89 million



Patrons at a Casino

Niagara baccarat table

and these numbers will increase in the coming year with the opening of our Thousand Islands Charity Casino. Finally, Ontario's commercial casinos directly employ more than 11,000 people, enriching their local economies with hundreds of millions of dollars in salaries each year.

Charity and Aboriginal Casinos

Charity casinos are smaller and gaming activities are significantly more restricted than in commercial casinos. The number of gaming positions – where a person is permitted to participate in a game – is limited to 870 and the betting limit for table games is \$100, compared to \$10,000 at commercial facilities. Nonetheless, OLGC's five charity and aboriginal casinos play an important role in the development of tourism and local business for their host communities, generate significant economic benefits as well as



Charity and Aboriginal Casinos (as of March 31, 2002)

Facilities	Opening Date	Number of Patrons	Number of Employees	Number of Slots
Casino Sault Ste. Marie	May 19, 1999	996,886	398	451
Brantford Charity Casino	Nov 17, 1999	1,729,633	1,017	452
Point Edward Charity Casino	Apr 18, 2000	1,044,409	696	452
Slots Facility at Great Blue Heron Charity Casino	May 3, 2000	N/A ^a	215 ^{ab}	452
Thunder Bay Charity Casino	Aug 28, 2000	1,056,066	469	452

^a Not available. Attendance based on entire facility.

^{ab} These are slot-facility employees of Great Blue Heron Gaming Company, not of OLGC.

thousands of direct and indirect jobs in Ontario.

Since its beginnings in June 1999, the Point Edward Charity Casino initiative created approximately 700 new permanent jobs as well as hundreds of temporary construction jobs. A major regional tourist attraction overlooking the St. Clair River, the Point Edward facility was selected by Tourism Samia-Lambton this year, as the site for its first interactive advertising and promotional tourism kiosk.

Last summer, OLGC began construction of its latest planned charity casino, on a parcel of land that straddles the town of Gananoque and the township of Leeds and Thousand Islands. The \$54-million project created 530 temporary construction jobs and will provide almost 500 direct jobs for the region. A job fair in Gananoque in February 2002 attracted 2,500 local applicants for 275 full- and 215 part-time positions.

The host communities – the town of Gananoque and the township of Leeds and Thousand Islands – will share equally five per cent of gross slot revenue, applying the funds to local needs as they see fit.

The interior design of this new charity casino will feature an original Thousand-Islands-region theme, emphasizing the area's nautical, architectural and geographic characteristics. Opening in the summer of 2002, this – Ontario's fifth – charity casino is expected to attract between 2,000 and 3,000 people a day from Ontario and the US.

Also this year, the Brantford Charity Casino undertook its own \$16.5-million construction project in order to expand the service and administration area of the casino. The Brantford facility has been extremely successful since its opening in 1999, with 1.7 million patrons visiting the site in 2001/2002.



Garfield Gouch, John David Nie & Shan Shan Vuong welcome Big Six players at the Brantford Charity Casino



Brent Snache & Rodney Commanda are part of Casino Rama's security team

Slots at Racetracks (as of March 31, 2002)

Slot Facilities at:	Opening Date	Number of Patrons	Number of Employees	Number of Slots
Windsor Raceway	December 16, 1998	833,961	281	750
Hiawatha Horse Park	May 8, 1999	650,408	177	452
Mohawk Racetrack	August 10, 1999	1,349,449	301	750
Fort Erie Race Track	September 9, 1999	1,850,637	349	1,200
Western Fair Raceway	September 28, 1999	974,572	171	307
Kawartha Downs	November 22, 1999	843,221	162	380
Sudbury Downs	November 26, 1999	579,456	154	331
Rideau Carleton Raceway	February 16, 2000	1,805,152	328	1,250
Woodbine Racetrack	March 27, 2000	4,411,909	658	1,702
Clinton Raceway	August 24, 2000	190,132	58	100
Flamboro Downs	October 11, 2000	1,343,865	301	752
Hanover Raceway	February 19, 2001	298,868	65	100
Dresden Raceway	April 18, 2001	193,648	60	100
Woodstock Raceway	June 20, 2001	228,753	58	100
Georgian Downs	November 27, 2001	367,182	170	401



alone. To support this level of customer demand the casino has over 1,000 employees, but until now, 20 of the casino's service and administrative personnel had to work from an off-site rental property. With the expansion of service and administration space by 45 per cent, they will be able to join their colleagues under one roof. The renovation plan also includes a reconfiguration of the gaming floor that will add ten new tables (thereby reaching the maximum-allowed gaming capacity) as well as a sports lounge with off-

track betting. The project has created dozens of temporary construction jobs and, on completion, will create 40 new direct jobs. This renovation reflects OLGC's ongoing priorities – providing excellent service and responding to local customer demand.

Slots at Racetracks

The popularity of the slots-at-racetrack initiative has led to growth for this important line of business. This



fiscal year, bringing the number to 15, OLG cut the ribbon on three new slots-at-racetrack facilities.



Slots at Dresden Raceway opened on April 18, 2001 and now attracts an average of 550 patrons a day to its tropical Caribbean Island atmosphere. Patrons can try their luck at games of Blazing 7s, Double Diamond, Fireball, Reel Gems, Roaring 20s, Silver & Gold and Black Cherry on 100 slot machines.



Ontario's fourteenth slots-at-racetrack operation opened at Woodstock Raceway in June 2001 at a cost of approximately \$5.6 million. Since opening, it has welcomed a steady stream of more than 800 daily visitors, seven days a week, enjoying play on 100 slot machines. In the first six weeks alone, 35,000 people visited the facility.



Then on November 27th, the slots facility at Georgian Downs opened and by March 31st had attracted more than 367,000 visitors to its Orient-Express-themed premises – featuring 401 slot machines, including Wild Cherry, Wheel of Fortune, Gamemakers, Blazing 7s, Progressive and Triple Diamond.



Lotteries



This fiscal year, OLG awarded more than \$1 billion in prizes as lottery players tried new games and found many of their old favourites just got better. LOTTO SUPER 7 – with its regular Friday night draw and minimum jackpot of \$2.5 million – has been increasingly popular since its introduction in May 1994. This



INSTANT Games

(as of March 31, 2002)

13	\$1	INSTANT GAMES
13	\$2	INSTANT GAMES
11	\$3	INSTANT BINGO
12	\$3	INSTANT CROSSWORD
5	\$3	INSTANT BATTLESHIP®
7	\$3	INSTANT KENO
6	\$4	CASH FOR LIFE
2	\$5	ONTARIO INSTANT MILLIONS

NEW \$3 INSTANT GAMES

1	SNAKES & LADDERS
1	THE 70'S GAME
1	LUCKY LINES

NEW \$25 INSTANT GAME

1	BIG TICKET LOTTERY
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GIFT PRODUCTS

1	\$10 HOLIDAY SCRATCH PACK
1	\$10 LOTTO 6/49 GIFT PACK

75	Total INSTANT Games
----	---------------------

year, LOTTO SUPER 7 generated over \$300.6 million in sales with \$140.1 million in prizes available.

Among our other ongoing successes, the CASH FOR LIFE lottery awarded more than \$60 million in

Lottery Sales and Prizes by Game (as of March 31, 2002)

PRODUCT GROUPINGS	Number of Games	SALES (\$millions)	% of Total Sales	PRIZES (\$millions)
ON-LINE GAMES	8	1,300.2	61.6	616.6
SPORTS GAMES	3	167.3	7.9	88.0
INSTANT GAMES	75	620.7	29.4	333.4
SUPERSTAR BINGO	2	23.5	1.1	12.2
TOTALS	88	2,111.7	100	1,050.2

prizes, with 12 grand-prize winners choosing between a \$675,000 lump sum pay-out or \$1,000 per week, tax-free, for life. Players wagered \$167.3 million on sports games, winning \$89 million in prizes.

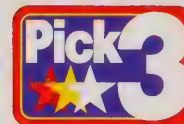
Game improvements and new games have kept revenues strong. For example, enhancements to ENCORE this year allow players up to ten ENCORE numbers per ticket per draw. And ENCORE is now available on all on-line games, except sports games. In addition, players can now purchase tickets in advance for up to ten draws of any on-line game.

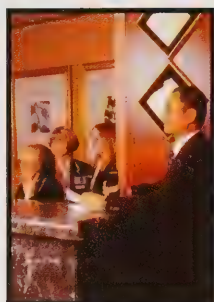
Tapping into all things retro, the Lottery Division introduced "The 70's Game" – a special limited-edition INSTANT collectable game. This three-dollar game ran from November 2001 through January 2002. OLGC also briefly re-entered the premium-priced ticket market with a \$25 BIG TICKET LOTTERY, offering a top prize of \$2 million or \$100,000-a-year for

life. Ninety per cent of tickets were sold or activated by retailers – generating \$19.4 million in sales and \$8.7 million in net revenues. However, in consideration of the game's competitive impact on charity lotteries, it will be discontinued in 2002.

This year also marked the tenth anniversary of ONTARIO INSTANT MILLIONS lottery game. A media campaign featuring OLGC's "Million-Dollar Lady – The Person Who Gives Away Million-Dollar Prizes" built excitement and anticipation as the Corporation counted down to its one hundredth new millionaire created through this popular lottery.

Of course, LOTTO 6/49 remains one of OLGC's most popular and enduring lottery games. Meeting the on-going challenge of finding fresh innovations for our players, LOTTO 6/49 offered bonus draws for a total of 50 BMWs over five draws during October 2001. On each occasion, ten sets of





*Reception-desk personnel
welcome patrons to
four-diamond luxury
and service at the
Casino Windsor Hotel*

bonus numbers were drawn after the regular LOTTO 6/49 draw – with 24 of the bonus prizes going to winners in Ontario.

We have also been planning celebrations for LOTTO 6/49's upcoming 20th Anniversary:

♠ In April 2002, the launch of a \$5 LOTTO 6/49 INSTANT ticket will commemorate the 20th Anniversary.

♠ Every Wednesday and Saturday during October 2002, the Interprovincial Lottery Corporation will conduct bonus draws following the regular LOTTO 6/49 draw. Individuals whose ticket numbers match the bonus numbers on those dates will be eligible to win a cash prize and an all-expense-paid trip for two to Edmonton, Alberta to attend the 2002 Grey Cup Game. Then, one of these lucky bonus-number winners will win a guaranteed prize of \$6.49 million at a special draw, to be broadcast live on national television as part of the half-time show.

Finally, the OLGC Lottery Division has further updated SUPERSTAR BINGO this year. As the first PC-based, electronically linked, real-time bingo game in North America, SUPERSTAR BINGO allows simultaneous play in about 90 bingo halls across Ontario. Since its launch in March 1997, the product has continued to evolve while players still enjoy playing for the big bingo

jackpots. Recently, OLGC launched THE LINK, its second real-time linked bingo game for after-noon players. Participants across the province can join in and play the same network bingo game in 37 bingo halls across Ontario. THE LINK is expected to increase revenues for over 6,000 community-bingo charities, non-profit organizations and operators. OLGC continues to work with the bingo industry in evaluating other sessions and products for continued innovation and growth.

Commercial Casinos

OLGC owns and maintains authority over three commercial casinos in Ontario – Casino Windsor, Casino Niagara and Casino Rama. The private sector manages day-to-day operations. Revenues from all three commercial casinos support priority provincial programs, such as health care and education.

Casino Windsor – A Dramatic Recovery

Casino Windsor is one of the largest gaming facilities in North America. A dazzling two-level casino, it offers 100,000 square feet of gaming space, 3,311 slot machines and 87 table games. Casino Windsor is operated by Windsor Casino Limited, which is a consortium of Park Place Entertainment and Hilton Hotels Corporation.



Casino Windsor's Executive Chef Luke Gagnon, with Stewarding Manager Nancy Milak, sculpts an ice centrepiece





Karl Pretty & Clint Horner (foreground) pursue the fine points of craps at Casino Niagara's Training Centre

Commercial Casinos (as of March 31, 2002)

Facilities	Number of Patrons	Number of Employees
Casino Windsor	5,771,479	4,185
Casino Niagara	8,440,218	3,717
Casino Rama	4,358,415	3,415

The staff at Casino Windsor deserves special notice this year for the leadership they exhibited as the team steered its way through the most challenging events of the casino's history. Immediately following September 11, 2001 revenue dropped 87 per cent, while attendance dropped by more than half. Management reluctantly laid off 600 employees. Yet, over the last several months, innovative marketing initiatives and focused leadership have recouped many losses, and attendance figures are now within ten per cent of their original levels.

"We Pay You to Play" was one such creative initiative designed to attract new customers. Casino Windsor also welcomed new Players Prestige members from January 2 through February 28, 2002, with an offer to reimburse half of their losses at slot or video machines up to a maximum of \$100 (receivable by cheque within 45 days of play). This has helped rebuild the client base that Casino Windsor had worked so hard to create.

In this fiscal year, the Casino provided approximately

\$12 million in grants in lieu of taxes to the City of Windsor. Casino Windsor has created a total of 15,000 direct and indirect jobs.

Casino Niagara – A Record-Breaking Investment in the Future

Casino Niagara remains Canada's most popular commercial tourist attraction, offering 100,000 square feet of gaming. The current interim casino has more than 3,700 employees and has created 6,000 direct and indirect jobs, generating an annual payroll of approximately \$135 million and \$1.3 billion in economic activity every year. Casino Niagara also suffered a ten per cent drop in attendance following the events of September 11, 2001 but by 2002 recovery was underway.

Last fall, years of dreaming, designing and drafting ideas for a permanent home for Canada's most popular commercial tourist attraction began to come to fruition on the banks of the Horseshoe Falls. Construction began on the new Casino Niagara project under the direction of the Falls Management Company. Approximately \$800 million will be spent on construction of this world-class gaming facility, representing the largest single tourism investment in the Niagara region. Taking advantage of one of the world's most spectacular natural environments, this year-round entertainment complex will draw tourists from all over the world.



Casino Niagara warehouse employees move signage for an on-site VIP event



Above: Faith Hill performs to capacity crowds at the grand opening of Casino Rama's Entertainment Centre

Right: Kelly Brownbill, Kevin Wassegijig & Sherry Lawson confer at Casino Rama's First Nation Affairs office

The complex will include a 30-storey 368-room hotel tower, a variety of retail shops, lounges and gourmet restaurants, as well as a 1,500-seat theatre and exhibition space on the eight-hectare site. Patrons will enjoy 150 gaming tables and 3,000 slot machines in one of the most spectacular gaming sites anywhere in the world.

Internet users can access a live web-cam of the construction site, by visiting the OLG's web site: www.OLGC.ca.

Casino Rama – Poised for the Future

Casino Rama's 240,000-square-foot casino complex, near the eastern shore of Lake Couchiching, attracts more than 11,900 daily visitors for 24-hour-a-day play and employs 3,415 people. A capacity crowd of 5,000 music fans filled the seats of the new Casino Rama Entertainment Centre – swaying to the sounds of Faith Hill on opening night in July 2001. Ringo Starr chose the centre with its state-of-the-art sound system to prepare for and launch his North American tour last year. Averaging three shows a week, this first-class entertainment venue draws thousands of new patrons to Casino Rama where they can also enjoy an evening of dining and gaming entertainment.

Under the terms of the Casino Rama Revenue Agreement, net revenues are distributed to First



Nations in Ontario. Casino Rama continues to create the economic opportunities that lead to self-sufficiency and pride as casino net revenues fund ongoing growth. The new entertainment facility will build on that success – continuing to create economic spin-offs as a venue for live entertainment and sports events as well as trade and consumer shows. Following completion of an adjoining hotel, restaurant and conference facility in 2002, the mega Casino-Resort complex will provide a total of 5,000 full-time jobs. The latest recruitment initiative, in late 2001, took job fairs to several Northern Ontario First Nations communities in preparation for future hiring. There are currently more than 700 First Nations staff among Casino Rama's 3,000-plus employees, which makes it the largest single-site employer of aboriginal people in Canada, as well as central Ontario's largest employer.

Management's Responsibility For Annual Reporting

Auditors' Report

The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where required, management has made informed judgements and estimates in accordance with Canadian generally accepted accounting principles.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their application on an ongoing basis. As well, Grant Thornton LLP and KPMG LLP, the Corporation's independent external auditors, appointed by the Board of Directors, are responsible for the audit of the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit and Risk Management Committee. This Committee, which reports to the Board, meets periodically with management, internal audit and the external auditors. The internal and external auditors have free and independent access to this Committee.

To the Board of Directors of Ontario Lottery and Gaming Corporation and to the Ministry of the Attorney General,

We have audited the consolidated balance sheet of Ontario Lottery and Gaming Corporation as at March 31, 2002 and the consolidated statements of operations, net income to the Province of Ontario, cash flows, changes in Due to Province of Ontario and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Ron D. Barbaro
Chair and
Chief Executive Officer



E.T. Dalton, CA.
Chief Financial Officer and
Senior Vice President,
Finance & Administration



Chartered Accountants
Toronto, Canada
May 17, 2002



Chartered Accountants
Sault Ste. Marie, Canada
May 17, 2002

Consolidated Balance Sheet

As at March 31, 2002 (in thousands of dollars)

Commitments

(Notes 4, 8 and 10)

Contingencies (Note 11)

See accompanying notes
to consolidated financial
statements.

2002

2001

Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 543,059	\$ 463,325
Accounts receivable	60,354	43,577
Prepaid expenses and other	44,085	34,842
	647,498	541,744

Pre-opening and deferred development expenditures (Note 3)	50,365	90,623
Loans receivable (Note 4)	49,492	57,307
Capital assets (Note 5)	1,351,840	1,216,460
Assets contributed to Chippewas of Mnjikaning and deferred charges (Note 6)	18,902	17,257
Cash and short-term investments held for First Nations (Note 7)	30,691	2,687
	\$ 2,148,788	\$ 1,926,078

Liabilities and Provincial Equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 248,161	\$ 213,324
Due to operators (Note 8)	47,947	57,460
Due to Chippewas of Mnjikaning (Note 8)	17,532	11,977
Due to Government of Canada	30,758	36,836
Deferred revenues	10,309	8,415
Current portion of long-term debt (Note 9)	18,656	6,856
	373,363	334,868


Due to First Nations (Note 7)	22,973	—
Long-term debt (Note 9)	167,904	43,656

Provincial equity:

Due to Province of Ontario	265,018	266,247
Reserves (Note 2)	154,250	115,359
Equity in capital assets	1,165,280	1,165,948
	1,584,548	1,547,554
	\$ 2,148,788	\$ 1,926,078

On behalf of the Board:


Ron D. Barbaro, Chair


Hugh W. Nichol, Director

Consolidated Statement Of Operations

Year ended March 31, 2002 (in thousands of dollars)

	2002	2001
Revenues:		
Lotteries	\$ 2,111,703	\$ 2,157,159
Commercial casinos	1,719,693	1,779,960
Charity casinos	378,200	309,953
Racetrack slot operations	1,263,056	1,014,885
	5,472,652	5,261,957
Direct operating expenses:		
Lotteries	1,439,532	1,449,262
Commercial casinos	1,270,338	1,328,095
Charity casinos	230,584	185,243
Racetrack slot operations	614,795	489,666
	3,555,249	3,452,266
Income before the undernoted:	1,917,403	1,809,691
Interest and other income, net	61,807	83,090
Net income	\$ 1,979,210	\$ 1,892,781

Segmented information
(Note 12)

See accompanying notes
to consolidated financial
statements.

Consolidated Statement Of Net Income To The Province Of Ontario

Year ended March 31, 2002 (in thousands of dollars)

	2002	2001
Net income	\$ 1,979,210	\$ 1,892,781
Plus Win tax (Note 14)	360,667	366,558
Less Casino Rama net income	(111,323)	(105,576)
Net income to the Province of Ontario	\$2,228,554	\$2,153,763

See accompanying notes
to consolidated financial
statements.

Consolidated Statement Of Cash Flows

Year ended March 31, 2002 (in thousands of dollars)

See accompanying notes
to consolidated financial
statements.

	2002	2001
Cash derived from (applied to):		
Operations:		
Net income	\$ 1,979,210	\$ 1,892,781
Amortization	169,762	179,588
Loss (gain) on disposal of capital assets	(36)	2,470
Unrealized foreign exchange loss (gain)	(3,070)	815
Change in non-cash operating working capital	675	30,509
	2,146,541	2,106,163
Financing:		
Increase in long-term debt	142,904	43,656
Repayments of long-term debt	(6,815)	(9,334)
	136,089	34,322
Investing:		
Pre-opening and deferred development expenditures	(9,692)	(46,543)
Loans receivable	7,815	5,140
Capital expenditures, net	(261,448)	(249,144)
Proceeds on disposal of capital assets	2,447	3,626
Deferred charges	198	(1,928)
	(260,680)	(288,849)
Other:		
Payments to Province of Ontario	(1,857,051)	(1,799,815)
Distributions to First Nations	(80,134)	(489,087)
Cash and short-term investments held for First Nations, net	(5,031)	407,411
	(1,942,216)	(1,881,491)
 Increase (decrease) in cash and cash equivalents	 79,734	 (29,855)
Cash and cash equivalents, beginning of year	463,325	493,180
Cash and cash equivalents, end of year	\$ 543,059	\$ 463,325
Supplemental disclosure of cash flow information:		
Cash interest received	\$ 15,293	\$ 28,063
Cash paid for interest	6,724	2,892

Consolidated Statement Of Changes In Due To Province Of Ontario

Year ended March 31, 2002 (in thousands of dollars)

	2002	2001
Net income	\$ 1,979,210	\$ 1,892,781
Add (deduct):		
Capital expenditures, net	(262,586)	(243,048)
Amortization of capital assets	127,206	143,873
Repayments of long-term debt, net of unrealized foreign exchange	(6,856)	(8,519)
Increase in long-term debt	142,904	43,656
Distributions to First Nations	(85,165)	(78,989)
Transfers to reserves, net		
Capital renewals	(30,366)	(9,797)
Operating	(5,968)	(12,668)
Severance	(2,557)	(2,812)
	(123,388)	(168,304)
Current year amount due	1,855,822	1,724,477
Payments to Province of Ontario	(1,857,051)	(1,799,815)
Amount due less payments	(1,229)	(75,338)
Due to Province of Ontario, beginning of year	266,247	341,585
Due to Province of Ontario, end of year	\$ 265,018	\$ 266,247

See accompanying notes
to consolidated financial
statements.

Consolidated Statement Of Equity In Capital Assets

Year ended March 31, 2002 (in thousands of dollars)

	2002	2001
Balance, beginning of year	\$ 1,165,948	\$ 1,101,910
Capital expenditures, net	262,586	243,048
Amortization of capital assets	(127,206)	(143,873)
Repayments of long-term debt, net of unrealized foreign exchange	6,856	8,519
Increase in long-term debt	(142,904)	(43,656)
Balance, end of year	\$ 1,165,280	\$ 1,165,948

See accompanying notes
to consolidated financial
statements.

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

The Ontario Lottery and Gaming Corporation (OLGC) was incorporated without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, four charity casinos, The Great Blue Heron Charity Casino Slot Machine Facility, fifteen slot operations at racetracks and three commercial casino operations in the Province of Ontario.

The Corporation conducts and manages the gaming operations of Casino Rama, including its net assets, for the benefit of the First Nations of Ontario. The excess cash flow derived from this commercial casino is distributed to a First Nations Fund. The financial results of the charity casinos include the operations of The Great Blue Heron Charity Casino Slot Machine Facilities but these financial statements do not include other operations carried out at that charity casino.

1. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and its 100% owned subsidiaries, Ontario Gaming Assets Corporation and OLC Services Limited. These subsidiaries were established to purchase capital assets which are leased to the parent corporation.

In addition, the consolidated financial statements combine the financial position and results of operations of the commercial casinos at Casino Rama, Casino Niagara and Casino Windsor, and of The Great Blue Heron Charity Casino Slot Machine Facilities.

(b) Revenue recognition:

Revenue for lottery games, for which results are determined based on a draw, is recognized when the draw takes place. Revenue for instant games is recognized when the ticket is activated for play by the retailer. Revenue for sports wagering games and SUPERSTAR BINGO are recognized when the ticket is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table-game operations represents the net win from gaming activities, which is the difference

between amounts earned through gaming wagers less any payouts from those wagers. The retail value of accommodation, food, beverage and other items provided on a complimentary basis to customers has been included in revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in the statement of operations under direct operating expenses. Also included in promotional allowances are the player club points. These points are earned by casino and racetrack patrons based on the volume of play and are redeemable for complimentary services and/or cash rebates.

(c) Pre-opening and deferred development expenditures:

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of racetrack slot operations and casinos are deferred and amortized over periods ranging from one to three years, commencing with site opening.

Expenditures, consisting of compensation, consulting and other costs, incurred in connection with the development of a management information system and several other projects are deferred and amortized over a period not exceeding five years.

(d) Capital assets:

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	25 to 50 years
Furniture and fixtures	3 to 10 years
Leasehold improvements	3 to 15 years
Lottery gaming assets	3 to 4 years
Casino and racetrack slot operation gaming assets	3 to 5 years

Capital assets are amortized when brought into operations.

Construction in progress is stated at cost. Costs will be amortized commencing upon completion of the related project. Interest on debt used to finance major additions to capital assets

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

(e) *Assets contributed to Chippewas of Mnjikaning and deferred charges:*

Assets contributed to Chippewas of Mnjikaning, consisting primarily of funding for the construction of a community centre, senior centre and certain infrastructure facilities, are amortized over the term of the Casino Rama ground lease. Deferred charges consist of financing fees which are amortized over the term of the related debt.

(f) *Foreign currency translation:*

Monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Statement of operations items are translated at the rate of exchange in effect at the transaction date. Transaction gains and losses are included in interest and other income in the period in which they arise.

(g) *Derivative financial instruments:*

Casino Rama Inc. (CRI), a wholly owned subsidiary of the Chippewas of Mnjikaning, is party to certain derivative financial instruments, principally interest rate swap contracts, used to manage its exposure to interest rate fluctuations on the long-term debt (Note 9). These instruments are not recognized in the financial statements of the Corporation on inception. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest capitalized to construction in progress or to interest expense for completed construction projects. The fair value of the interest rate swap contracts was calculated based on market conditions at year end, supplemented with a quote from a financial institution. The fair value represents the amount that would be received (paid) to terminate or replace the contracts. There are no present plans to terminate or replace significant portions of the contracts.

(h) *Concentration of credit risk:*

The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of cash equivalents, accounts receivable and loans receivable. Cash equivalents consist of deposits with major commercial banks. Accounts receivable includes credit provided to retailers of lottery products and patrons of commercial casinos. Loans receivable consist of loans to racetrack operators and municipalities. The Corporation performs ongoing credit evaluations of retailers, patrons, racetrack operators and municipalities and maintains reserves for potential credit losses.

(i) *Financial instruments:*

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, cash and short-term investments held for First Nations, accounts payable and accrued liabilities, due to operators, due to Chippewas of Mnjikaning, due to Government of Canada and long-term debt. The fair value of these financial instruments, excluding loans receivable and long-term debt approximates carrying amounts due to the short maturities of these instruments. The fair value of loans receivable and long-term debt approximates carrying value and is calculated by discounting future cash flows using rates currently available for similar terms and maturity.

(j) *Use of estimates:*

In conformity with Canadian generally accepted accounting principles, management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements. Actual results could differ from those estimates.

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

2. Cash and cash equivalents:

Cash and cash equivalents includes the below noted amounts, which are held in separate accounts:

	2002	2001
Reserves:		
Capital renewals	\$ 78,572	\$ 48,206
Operating	56,416	50,448
Severance	19,262	16,705
	154,250	115,359
Prize funds on deposit	33,288	21,723
Bank loan proceeds	61,074	—
	\$ 248,612	\$ 137,082

The Corporation has established cash reserves at the commercial casino operations in accordance with various operating agreements for the following purposes:

- Capital renewals reserve for capital asset additions other than normal repairs or major renovations.

- Operating reserve to satisfy specified obligations in the event that revenue will be insufficient to meet such obligations.
- Severance reserve to satisfy certain obligations of the Corporation arising from termination or layoff of employees of an operator in connection with the termination of an operator.

Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding less an estimate for prizes not expected to be claimed by players.

Further to provisions of the bank loan agreement (Note 9), a final draw of the total loan funds for the Casino Rama hotel project was made. These funds were set aside and will be drawn from as required for the completion of the hotel facility.

Cash and cash equivalents includes bank term deposits amounting to \$92,914,000 (2001 – \$85,155,000) at interest rates varying between 1.80% and 4.90% (2001 – 4.70% and 5.70%).

3. Pre-opening and deferred development expenditures:

			2002	2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Pre-opening expenditures:				
Commercial casinos	\$ 2,824	\$ 1,422	\$ 1,402	\$ 8,051
Charity casinos	34,054	23,043	11,011	25,905
Racetrack slot operations	81,036	55,534	25,502	42,414
	117,914	79,999	37,915	76,370
Deferred development expenditures	17,835	5,385	12,450	14,253
	\$ 135,749	\$ 85,384	\$ 50,365	\$ 90,623

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

4. Loans receivable:

The Corporation has loaned funds to certain racetrack operators for the purposes of renovating their buildings to accommodate the Corporation's slot operations. The loans are secured by first mortgages and general security agreements, and generally bear interest at the bank's prime rate, repayable over periods ranging from one to ten years. The amounts will be recovered under an agreed-upon formula from withholding of commis-

sions that would otherwise be payable to the racetrack operators. The Corporation has also loaned funds to two municipalities for purposes of infrastructure improvements. The amounts will be recovered from the municipal commissions otherwise payable.

The Corporation is committed to loan up to a maximum of \$4,875,000 to two municipalities of which \$3,275,000 has been advanced at March 31, 2002.

5. Capital assets:

			2002	2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 132,245	\$ —	\$ 132,245	\$ 109,231
Buildings	727,343	84,728	642,615	606,301
Furniture and fixtures	352,481	290,254	62,227	122,372
Leasehold improvements	226,192	114,509	111,683	117,899
Lottery gaming assets	109,018	108,445	573	15,731
Casino and racetrack slot operation gaming assets	327,053	55,988	271,065	183,191
Construction in progress	131,432	—	131,432	61,735
	\$ 2,005,764	\$ 653,924	\$ 1,351,840	\$ 1,216,460

During the year the Corporation capitalized interest amounting to \$4,085,000 (2001 – \$1,791,000).

6. Assets contributed to Chippewas of Mnjikaning and deferred charges:

			2002	2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Assets contributed to Chippewas of Mnjikaning	\$ 26,878	\$ 11,943	\$ 14,935	\$ 15,724
Deferred charges	3,967	—	3,967	1,533
	\$ 30,845	\$ 11,943	\$ 18,902	\$ 17,257

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

7. Cash and short-term investments held for First Nations:

The balance consists of:

	2002	2001
Distributions to the segregated bank account	\$ 22,832	\$ -
Interest earned	141	-
	22,973	-
Distribution due to First Nations, included in accounts payable and accrued liabilities	7,718	2,687
	\$ 30,691	\$ 2,687

The Casino Rama Revenue Agreement requires that, commencing July 31, 2001, the Corporation retain 35% of the net distributions from Casino Rama in a segregated bank account if the Corporation has not received a joint direction from the Chiefs of Ontario and the Chippewas of Mnjikaning with respect to a new revenue distribution formula. The Corporation did not receive this direction and accordingly has retained 35% of the net revenue in a segregated bank account.

On June 9, 2000, the Corporation, the First Nations of Ontario and the Province of Ontario entered into a Revenue Agreement that provides for the distribution of excess cash flow, as defined, from the operation of Casino Rama. Under the agreement, the Corporation is required to distribute the excess cash flow from the operation on a monthly basis. The payment related to March 2002 is included above as Distribution due to First Nations.

8. Related party transactions:

(a) Under the terms of the development and operating agreements for each of the commercial casinos and The Great Blue Heron Charity Casino Slot Machine Facilities, the operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin, both as defined in each of the related development and operating agreements.

(b) Under the terms of the development and operating agreement for Casino Rama, the Chippewas of Mnjikaning receive an annual fee of \$4,500,000, adjusted for inflation, relating to provision of ongoing operating services. Other Chippewas of Mnjikaning charges amounting to \$4,922,000 (2001 - \$4,216,000) were also incurred during the year in connection with snow removal, water, sewer and emergency services. In addition, under the terms of a fifteen-year lease expiring July 31, 2016, an annual rental of \$667,000 for office and warehouse space is paid to a company related to the Chippewas of Mnjikaning. On April 30, 2002, an agreement was signed with the Chippewas of Mnjikaning whereby the Corporation will reimburse the Chippewas of Mnjikaning 75% of the operating budget of the fire department, as defined in the agreement, in exchange for fire protection services to the casino complex for the period of April 1, 2000 to July 31, 2011.

The lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in the Right of Canada under a 25-year ground lease. Annual rent payable under this ground lease is \$3,500,000, adjusted for inflation, and is paid out of the gross revenues of the Casino Rama complex to the Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. Under the terms of an expansion agreement, additional annual rent of \$1,700,000, adjusted annually for inflation, is payable. During the year \$667,000 (2001 - \$1,173,000) of this additional rent was capitalized to construction in progress.

The Chippewas of Mnjikaning is the developer of the expansion of the Casino Rama complex and included in the amounts Due to the Chippewas of Mnjikaning is \$9,945,000 (2001 - \$9,314,000) related to the construction.

(c) Under the terms of the development and operating agreement, the Mississaugas of Scugog Island First Nation receive an amount equal to 5% of the gross revenue of The Great Blue Heron Charity Casino Slot Machine Facilities in consideration for provision of the lands used for the Slot Machine Facilities.

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

9. Long-term debt:

	2002	2001
Advance from CHC Casinos		
Canada Limited	\$ —	\$ 6,856
Bank loan	186,560	43,656
	186,560	50,512
Less current portion	18,656	6,856
	\$ 167,904	\$ 43,656

(a) CHC Casinos Canada Limited, the operator of Casino Rama, advanced US\$25,000,000 toward the initial development of the casino. The advance bore interest at bank prime plus 1% per annum and was repaid during the year. Interest for the year amounted to \$134,000 (2001 – \$887,000).

(b) The Corporation entered into an agreement relating to the expansion and renovation of Casino Rama. Under the terms of the agreement, the Chippewas of Mnjikaning are responsible for the development, construction and financing of the project. Total costs of the project have been budgeted at \$265,000,000 including capitalized interest, land rent and a cultural centre contribution. In addition, Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, entered into a lending agreement which provides for a \$186,560,000 non-revolving term credit facility for the project which has been advanced at March 31, 2002 (2001 – \$43,656,000). The development and operating agreement for Casino Rama requires, among other things, that principal and interest payments be made from the gross revenues of the Casino Rama in nineteen quarterly principal installments of 2.5% of the initial outstanding amount and a final installment of the outstanding balance. The first installment is due on June 28, 2002.

The bank loan bears interest at bank prime plus 1.5% up to and including June 27, 2001 and between bank prime and bank prime plus 1.5% thereafter; dependent on conditions outlined in the credit facility agreement. Bank prime at March 31, 2002 is 3.75%. Interest paid during the year amounted to \$6,256,000 (2001 – \$1,815,000). An interest rate swap contract, which matures on June 30, 2007, was entered into with an original notional principal of \$125,100,000. The balance under the contract at March 31, 2002 amounted to \$111,200,000 (2001 – \$41,700,000). The contract results in a fixed rate of

6.68% on the outstanding notional amount. The interest rate risk exposure is limited to the net differential, which is approximately 4% at March 31, 2002. The net interest rate receivable or payable under the contract is settled quarterly with the counter party, which is a Canadian chartered bank. The fair value of the interest rate swap contract, which represents the amount that would be (paid) / received to terminate or replace the contract as at March 31, 2002 is (\$7,646,000); 2001 was \$6,247,000.

As security for the funds advanced under the credit facility, a first-ranking charge over all of the Casino Rama complex's assets and all assets financed under the facility (with the exception of the certain lands acquired to accommodate expanded parking facilities and other areas) has been granted.

The principal repayments expected to be made over the next five years from the cash flow of the complex are approximately as follows:

2003	\$ 18,656
2004	18,656
2005	18,656
2006	18,656
2007	111,936

10. Commitments:

(a) Obligations under operating leases:

The Corporation has entered into several leases for property and equipment. The future minimum lease payments are approximately as follows:

2003	\$ 9,647
2004	7,185
2005	5,497
2006	3,387
2007	2,792
	28,508
Thereafter	13,288
	\$ 41,796

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

Casino Niagara has entered into a lease agreement for its interim premises which expires on December 7, 2002. The Corporation is in discussions with the landlord to extend the interim casino site lease to at least July 31, 2004. It is anticipated the negotiations will be successful and included above are the minimum lease payments at the current lease rates for each of the years.

(b) *Suppliers:*

The Corporation has computer hardware and maintenance agreements with future annual payments of approximately:

2003	\$	8,110
2004		1,788
2005		750
	\$	10,648

(c) *Lotteries:*

The Corporation has purchase agreements with suppliers for ticket printing services and on-line supplies. A commitment for purchases in amounts up to \$14,700,000 is in force until September 2004.

The Corporation has signed a contract for the replacement of its on-line lottery terminals and terminal software. The test phase of the terminal implementation will commence in late 2002 and the total cost of this project is estimated to be \$80,000,000.

(d) *Casino Windsor:*

In connection with the acquisition of the land site for the permanent casino complex in Windsor, Ontario, the Corporation agreed to provide the City of Windsor with a fixed return over 20 years with payments commencing May 1, 1998 in the amount of \$2,600,000 per annum for the first ten years and \$3,000,000 per annum for the last ten years.

(e) *Casino Niagara:*

In connection with the acquisition of the land site for the permanent casino complex in Niagara Falls, Ontario, the

Corporation agreed to provide the Corporation of the City of Niagara Falls (the City) with a fixed return over 20 years with payments commencing December 7, 2000 in the amount of \$2,600,000 per annum for the first ten years, \$3,000,000 per annum for the next ten years and then \$3,000,000, adjusted for Consumer Price Index, as defined in the agreement, thereafter. In addition, the Corporation is obligated to reimburse the City for the Corporation's share of certain infrastructure costs amounting to \$3,300,000.

On January 29, 2002 the Corporation signed an amended and restated master development agreement with Falls Management Company for the construction and development of a permanent casino complex in Niagara Falls, Ontario. Under the terms of the contract, construction financing is the responsibility of the developer and risks of the contract are substantially transferred to the developer. The principle risks to the Corporation include *force majeure*, extraordinary fluctuations in interest rates and Canadian dollar devaluation. The developed project is scheduled for completion in July 2004, at which time, the Corporation will purchase the permanent casino complex from Falls Management Company for \$794,000,000. Additional capital costs to be incurred by the Corporation are estimated at \$203,000,000 bringing the total cost of the project to \$997,000,000.

(f) *Racetrack Slot Operations:*

As at March 31, 2002 the Corporation has entered into discussions with municipalities for the establishment of three additional racetrack slot operations at an estimated total cost of \$54,400,000.

11. Contingencies:

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on these financial statements. Settlements, if any, concerning these contingencies will be accounted for as a charge to the statement of operations in the period in which the settlement occurs.

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

12. Segmented information:

					2002
Segment Activity	Lotteries	Commercial Casinos	Charity Casinos	Racetrack Slot Operations	Total
Revenues:					
Lotteries	\$ 2,111,703	\$ -	\$ -	\$ -	\$ 2,111,703
Slots	-	1,274,551	322,026	1,289,417	2,885,994
Tables	-	444,880	53,397	-	498,277
Non-gaming	-	152,918	19,119	932	172,969
	2,111,703	1,872,349	394,542	1,290,349	5,668,943
Less promotional allowances	-	152,656	16,342	27,293	196,291
	2,111,703	1,719,693	378,200	1,263,056	5,472,652
Operating expenses:					
Non-gaming	-	133,110	17,664	2,967	153,741
Gaming and lottery operations	90,151	294,910	79,719	108,395	573,175
Lottery prizes	1,050,150	-	-	-	1,050,150
Commissions	151,577	-	16,169	303,995	471,741
Marketing and promotion	39,783	150,469	17,259	52,947	260,458
Operators' fees (Note 8 (a))	-	75,244	5,020	-	80,264
Amortization	12,053	64,522	32,060	61,127	169,762
General and administration	44,663	179,099	38,739	57,783	320,284
Win tax (Note 14)	-	343,810	16,857	-	360,667
Payments to Government of Canada (Note 15)	51,155	29,174	7,097	27,581	115,007
	1,439,532	1,270,338	230,584	614,795	3,555,249
Revenues less expenses	672,171	449,355	147,616	648,261	1,917,403
Interest and other income, net	8,658	44,036	2,380	6,733	61,807
Net income	\$ 680,829	\$ 493,391	\$ 149,996	\$ 654,994	\$1,979,210

Note 12 continued on following page

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

12. Segmented information (cont'd from page 61) :

					2001
Segment Activity	Lotteries	Commercial Casinos	Charity Casinos	Racetrack Slot Operations	Total
Revenues:					
Lotteries	\$ 2,157,159	\$ –	\$ –	\$ –	\$ 2,157,159
Slots	–	1,318,531	255,776	1,034,656	2,608,963
Tables	–	457,209	50,435	–	507,644
Non-gaming	–	159,476	12,409	818	172,703
	2,157,159	1,935,216	318,620	1,035,474	5,446,469
Less promotional allowances	–	155,256	8,667	20,589	184,512
	2,157,159	1,779,960	309,953	1,014,885	5,261,957
Operating expenses:					
Non-gaming	–	129,579	14,335	1,890	145,804
Gaming and lottery operations	85,574	282,085	69,489	80,998	518,146
Lottery prizes	1,085,335	–	–	–	1,085,335
Commissions	154,913	–	12,776	243,644	411,333
Marketing and promotion	38,644	145,013	11,671	45,518	240,846
Operators' fees (Note 8 (a))	–	102,276	3,388	–	105,664
Amortization	13,401	93,302	24,502	48,383	179,588
General and administration	25,417	181,419	30,292	51,483	288,611
Win tax (Note 14)	–	355,014	11,544	–	366,558
Payments to Government of Canada (Note 15)	45,978	39,407	7,246	17,750	110,381
	1,449,262	1,328,095	185,243	489,666	3,452,266
Revenues less expenses	707,897	451,865	124,710	525,219	1,809,691
Interest and other income, net	16,241	53,165	3,704	9,980	83,090
Net income	\$ 724,138	\$ 505,029	\$ 128,414	\$ 535,199	\$ 1,892,781

Notes To Consolidated Financial Statements

Year ended March 31, 2002 (tabular amounts in thousands of dollars)

13. Pension plans:

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was \$4,678,000 (2001 – \$5,167,000).

The operators of the commercial casinos have defined contribution pension plans for their salaried, hourly and executive employees. The pension expense for the year amounted to \$15,433,000 (2001 – \$13,688,000).

14. Win tax:

The Corporation remits win tax to the Province of Ontario equal to 20% of gaming revenue from commercial casinos and The Great Blue Heron Charity Casino Slot Machine Facilities.

15. Payments to Government of Canada:

The Corporation made the following payments to the Government of Canada:

	2002	2001
Payments on behalf of the Province of Ontario	\$ 21,886	\$ 21,314
Goods and Services Tax	93,121	89,067
	\$ 115,007	\$ 110,381

(a) Payment on behalf of the Province of Ontario:

The provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

(b) Goods and Services Tax:

Goods and Services Tax (GST) payments are made under a specific formula. This tax is in lieu of the collection of GST on lottery ticket sales and gaming revenue from the consumer. In addition, the Corporation also pays GST on certain expenditures. These payments are not recoverable.

16. Comparative amounts:

Certain prior year amounts have been reclassified to conform with current year financial statement format.

Management's Discussion And Analysis

The following is a discussion and analysis of the results of operations of the Ontario Lottery and Gaming Corporation.

Revenues

The Corporation has completed another successful year of operations with revenues of \$5.47 billion. The \$210.7 million increase over the previous year is primarily due to the success and growth of our slots-at-racetrack operations. Our net income of \$1.98 billion represents an \$86.4-million improvement on the previous year. Revenues are reported net of promotional allowances.

While still our top revenue-generator, Lottery revenues for the year were down \$45.5 million from the previous year, totalling \$2.11 billion. We attribute the decline primarily to maturing of INSTANT game products. Addressing this, the Corporation is moving to introduce new games, revitalize old favourites and lay the ground for the continued evolution of on-line gaming.

The excitement created by high LOTTO SUPER 7 jackpots, enhancements to ENCORE and the launch of the BIG TICKET LOTTERY were key successes. LOTTO SUPER 7 jackpots reached \$19.4 million in July and \$19.9 million in December, players can now play ENCORE with all on-line games, and in February 2002, the BIG TICKET LOTTERY – with a top prize of \$2 million or \$100,000 per year for life – was launched.

In November 2001, the Corporation selected a supplier for the replacement of the on-line lottery terminals and terminal software. These new terminals will allow the Corporation to enhance the delivery of lottery products to retailers and players and we plan to begin installation of the new terminals in the last quarter of fiscal 2003, with completion by the fall 2003.

Commercial casino revenues of \$1.72 billion were \$60.3 million lower than fiscal 2001. The patron counts at the commercial casinos totalled 18.6 million, down one million from fiscal 2001. Gross gaming revenues for each casino for the years ended March 31, 2002 and 2001 were as follows:

	2002	2001
	(In Millions)	(In Millions)
Casino Windsor	\$ 648	\$ 735
Casino Niagara	609	596
Casino Rama	462	445

Favourable results at Casino Niagara and Casino Rama were offset by a significant decline at Casino Windsor, where the events of September 11, 2001 had an immediate and

significant impact as approximately 80% of Casino Windsor's patrons have been from the United States. Enticing US patrons to return to the casino has been a new challenge. By the end of the fiscal year, marketing and promotional programs, such as the triple-cash-back program, had succeeded in improving business – though not to levels pre-September 11, 2001.

Construction of the permanent casino complex in Niagara Falls began in October 2001. The Corporation signed an agreement in January 2002 with Falls Management Company (FMC) for the construction and development of the complex. As gaming competition will continue to increase in the coming years, due to the approval of gaming facilities in the state of New York, the importance of such a multi-attraction venue has been heightened. The Casino Niagara complex will include the casino, a hotel, a parking garage, dining facilities and retail outlets.

Under the terms of the agreement, construction financing is the responsibility of the developer (FMC) and development risks are substantially transferred to the developer. The principal risks to the Corporation include *force majeure*, extraordinary fluctuations in interest rates and Canadian dollar devaluation. In order to minimize these risks, the Corporation will enter into an interest rate swap arrangement to fix the interest rate for the term of the construction project and will develop a hedging strategy for US\$-denominated purchases. Completion of the complex is scheduled for July 2004, at which time the Corporation will purchase the complex from FMC for a fixed cost of \$794 million. Additional capital costs to be incurred by the Corporation are estimated at \$203 million, bringing the total cost of the project to \$997 million.

The new Casino Rama entertainment centre opened on July 18, 2001 with a sell-out performance by Faith Hill. The new facility was one step in Casino Rama's plan for enhancement of its overall entertainment package – attracting new customers and better serving its established clients. Construction of the Casino Rama hotel, scheduled for completion in June 2002, will complete the transformation of the Casino Rama gaming facility into a full destination resort.

Revenues from charity casinos and the slot-machine facility at Great Blue Heron Charity Casino totalled \$378.2 million this year, \$68.2 million more than in the previous year. Total patron counts were 6.1 million for the year, up 15% (from 5.3 million patrons) over the prior year. The construction of the new Thousand Islands Charity Casino will be completed in the first quarter of

Management's Discussion And Analysis

fiscal 2003, bringing the number of charity and aboriginal casinos to a total of six.

During this fiscal year, the Corporation opened three new slots-at-racetrack operations at Dresden, Woodstock and Georgian Downs. As of March 31, 2002, fifteen facilities were operating, which generated \$1.26 billion in revenues this year – \$248.2 million higher than the previous year. The Corporation continues planning for slot operations at three additional racetrack sites – Elora, Picov and Quinte. Completion of these facilities will fulfill the mandate provided by the government in 1998.

Expenses

Non-gaming expenses include the costs of promotional allowances and other ancillary services, such as coat check and valet parking provided to patrons of the casino and slots-at-racetrack sites. This year, these expenses were \$153.7 million, compared to \$145.8 million in the previous year.

Gaming and lottery operations expenses were \$573.2 million, \$55.0 million higher than in the previous year. Increases are largely due to the addition of new facilities this year and the first full year of operation at sites opened during the previous year. Another factor is an increase in leasing of slot machines throughout our gaming sites. Leasing provides more variety to our patrons and important flexibility in responding to game popularity. As such, this is an important factor in an overall business-development strategy based on customer satisfaction.

Lottery-related expenses vary with the mix of product revenues and the jackpot levels achieved. This year, lottery prize costs at \$1.05 billion were \$35.2 million lower than the previous year.

For the year ended March 31, 2002, total commissions paid to lottery retailers, bingo hall operators, municipalities, racetrack owners and horse people were \$471.7 million as compared to \$411.3 million for the previous fiscal year. While payments to lottery retailers and bingo hall operators – reflecting the decrease in lottery revenue – were \$3.3 million lower this year than the previous year, payments to municipalities, racetrack owners and horse people with regard to charity-casino and slots-at-racetrack revenues were \$63.7 million higher. The increase in the latter instance is tied to the increased revenues realized by those business lines during the year.

Marketing and promotion programs of the Corporation are designed to inform consumers of our products and to encourage

responsible play. Total expenses in this category for the year were \$260.5 million, up \$19.6 million from the previous year.

Operators' fees are paid to the operators of commercial casinos and the Great Blue Heron Charity Casino slot-machine facility, as required by each of their respective operating agreements. The amounts paid are based on the revenues and operating results of individual facilities and this year's decrease in operators' fees reflects the revenue decline at Casino Windsor subsequent to September 11, 2001.

Amortization expense for the fiscal year amounted to \$169.8 million, down from \$179.6 million from the previous year. The decrease was primarily the result of a change in accounting estimates on certain depreciable assets.

General and administration expenses for the fiscal year ending March 31, 2002 were \$320.3 million, \$31.7 million higher than in the previous year. As a percentage of revenues, the expenses were 5.9%, compared to 5.5% in the previous year. These expenses include the cost of centralized support services provided by Finance and Administration, Legal, Human Resources, Information Technology, Corporate Communications and Internal Audit departments. Increases have been experienced year over year as these support groups continue to implement programs and services to respond to continuous growth and to support the infrastructure needed for efficient and effective operation of all lines of business.

Win tax represents 20% of the gaming revenue from the commercial casinos and the slot operations at the Great Blue Heron Charity Casino and is paid to the Province of Ontario. The decline of \$5.9 million directly reflects decreased gaming revenues at Casino Windsor, which exceeded the combined increases realized at other commercial casinos and Great Blue Heron Charity Casino slot-machine facility.

Payments to the Government of Canada include Goods and Services Tax (GST) as well as payments made on behalf of the Province of Ontario under an agreement between the provincial governments and the Government of Canada whereby the Government of Canada will not participate in the sale of lottery tickets. The increase of \$4.6 million was due primarily to GST paid on higher operating costs in the current fiscal year.

Management's Discussion And Analysis

Interest and Other Income

The decline in interest and other income, from \$83.1 million to \$61.8 million, reflects lower interest rates and lower foreign exchange gains. Increased interest expense relates to financing costs for the Casino Rama Entertainment Centre complex, which was completed during the year. Lower exchange gains were the combined result of less favourable exchange rates in the current fiscal year and lower US patron visits at Casino Windsor and Casino Niagara.

Liquidity and Capital Resources

Cash generated from operations for the fiscal year ended March 31, 2002 was \$2.15 billion, \$40.4 million higher than the previous year, primarily as a result of the increased operating revenues. Funds were also provided from a bank loan secured for the construction of the entertainment centre and

the hotel at Casino Rama. This obligation will be paid from the revenues of Casino Rama.

The amounts expended on Investing Activities were \$260.7 million, down slightly from \$288.8 million in the previous year. These investments included the construction of three slots-at-racetrack sites, construction of the fifth charity casino project at Thousand Islands, the purchase of land in Niagara Falls for the permanent complex and construction costs at Casino Rama.

Payments to the Province for the fiscal year ended March 31, 2002 were \$1.86 billion, as compared to \$1.80 billion for the fiscal year ending March 31, 2001. These payments represent net income adjusted for working capital requirements and capital expenditures.

Fees Paid To External Auditors

For the year ended March 31, 2002, the Company retained its independent auditors, Grant Thornton LLP, KPMG LLP and Ernst and Young LLP to provide services in the categories and amounts shown below. The Audit and Risk Management Committee has concluded that the provision of non-audit services by the Company's external auditors is compatible with maintaining auditor independence.

	Grant Thornton	KPMG	Ernst & Young	Fiscal 2002 Total	Fiscal 2001 Total
Audit & Assurance Services	\$ 215,000	\$ 605,000	\$ 72,000	\$ 892,000	\$ 856,000
Tax Services	–	71,000	–	71,000	204,000
Consulting Services	–	181,000	–	181,000	180,000
Accounting Services	5,000	91,000	–	96,000	348,000
Temporary Manpower Services	47,000	75,000	–	122,000	74,000
Total of all Services	\$ 267,000	\$ 1,023,000	\$ 72,000	\$ 1,362,000	\$ 1,662,000

The salary portion of an individual's compensation includes

base salary, overtime payments, vacation/lieu time payouts, incentive and/or lump-sum merit payments, and one-time relocation expenses and/or resettlement payments. Listed below – by name, title, salary and taxable benefits – are those within the OLCG whose salary exceeded \$100,000 for the year 2001.

Annual Report 2001 · 2002

Board Of Directors

Ron D. Barbaro

Chair and Chief Executive Officer

June 24, 2001 – June 23, 2004

Cheryl Byrne

February 1, 2001 – January 31, 2004

Joanne DeLaurentiis

January 14, 2001 – January 13, 2003

Gerald Huck

June 13, 2001 – June 12, 2004

Peter J. Labbett

December 20, 2000 – November 30, 2003

Hugh Nichol

May 3, 2000 – May 2, 2003

Louis Elio Panontin

December 2, 1999 – December 1, 2002

Nicholas Perpick

January 13, 2002 – January 12, 2005

Richard A. Raymond

February 1, 2001 – March 31, 2003

Bruce H. Reid

April 4, 2001 – April 3, 2003

Gary Reinblatt

January 13, 2002 – January 12, 2005

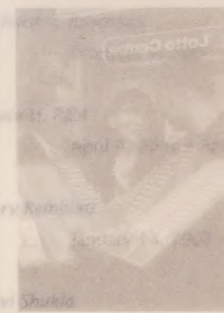
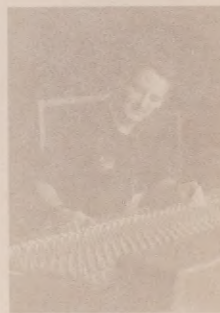
Ravi Shukla

January 23, 2002 – January 22, 2005



Montreal Lottery
1-800-367-8282

Board Of Directors





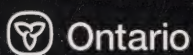
**Ontario Lottery and
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